RAJYA SABHA

Tuesday, the 12th August, 1997/21st Sravana, 1919, (Saka)

The House met at Eleven of the Clock..

The Deputy Chairman in the Chair

ORAL ANSWERS TO QUESTION

Non-utilisation of External Debts

*281. SHRI NARENDRA MOHAN: Will the Minister of FINANCE be pleased to state:

(a) whether two-thirds of expenditure of Government is beyond the purview of the Parliament;

(b) if so, the reasons therefor;

(c) whether the servicing and repayments of external debt is a major factor for this state of affairs;

(d) the percentage of unutilised funds available from external debts during the last two years;

(e) whether State Governments are directly negotiating external debts and are they responsible for not completely utilising the external debts or grants; and

(f) how much external grants have been given to India during the last three years and how much of it remained unutilised or has not been utilised within the stipulated time-frame?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) to (f) A statement is laid on the table of the House.

Statement

(a) and (b) No, Sir. Parliamentary approval is obtained for all items of expenditure of the Government, whether 'charged' or 'voted', through the Appropriation Act, under Article 114(3) of the Constitution.

(c) Does not arise.

(d) Most of the external assistance is tied to specific projects and disbursements are therefore, linked to the project implementation schedule and its life cycle which runs over a number of years normally around 5 to 6 years. The utilisation, therefore, is spread over the project cycle. The percentage of unutilised external loans on Government Account during 95-96 was 82.10 per cent and during 96-97 78.40 per cent.

(e) The State Governments cannot negotiate external loans directly. However, to the extent of external assistance being taken by the State Governments, they are responsible for utilising them for implementation of the projects.

(f) In the three years from 1994-95 to 1996-97, the External Grants given to India are Rs. 5,371.32 crores, of which Rs. 1,522.32 crores was utilised and at the end of March, 1997, Rs. 3,849 crores of this External Grant was unutilised.

The External Grants given have a span of life which is linked to the execution of the Projects and hence the utilisation is spread over a number of years depending upon the project cycle.

SHRI NARENDRA MOHAN: Madam, the hon. Minister is over-smart because he is not divulging to this august House the percentage of expenditure of the Government of India which is beyond the purview of Parliament. He is also not divulging to this august House about how much is the interest payment on foreign debts and how much they constitute as a percentage. So far as these funds are concerned the Parliament has hardly any power to rectify them or change them. He has also not informed the House on what terms and conditions these foreign loans have been taken. He has also not answered whether the negotiations which had been done while taking foreign debts, were first approved by Parliament or not. Besides, there are many public sector undertakings like the Indian Oil Corporation which are taking a lot of foreign loans which ultimately

have to be paid by the Government of India. If the Government of India stands as a guarantee for any payment, it has to be paid by the Government of India because it becomes the responsibility of the Government of India. The Minister is not coming out with these facts. My supplementary is this. I would like to know whether the Finance Minister is aware that there are many public sector unndertaking and also various State Governments which are going abroad and taking loans. He says that the State Governments are not taking loans. Madam, the Government of Uttar Pradesh and several other State Governments have gone abroad and negotiated several projects and those projects are linked with foreign debts. I would like to know whether the Minister is aware of it or not. I would also like to know whether all the money that will be ultimately paid to other countries will be monitored by Parliament. I would also like know whether the Parliament has the authority to monitor such debts which have been taken by the Indian Oil Corporation and other State Governments.

SHRI P. CHIDAMBARAM: Madam, I would like to draw your attention to article 113 of the Constitution. It says:-

> "So much of the estimates as relates to expenditure charged upon the Consolidated Fund of India shall not be submitted to the vote of Parliament, but nothing in this clause shall be construed as preventing the discussion in either House of Parliament of any of those estimates."

Nothing is, therefore, beyond the purview of Parliament. The question is "What are two-thirds of expenditure of Government is beyond the purview of the Parliament?" It is not so. Everything is within the purview of Parliament. Charged expenditure as provided in the Constitution cannot be voted upon. Non-charged expenditure is voted upon. Therefore, I respectfully maintain that the answer furnished is correct. So far as the question of borrowings of State Governments is concerned, I have made it clear that the State Governments are not entitled to borrow directly from abroad. In fact, article 293(1) of the Constitution is very clear about it. It is true that the State Governments have externally aided projects. These externally aided projects have to be negotiated only through the Central Government. And where an externally aided project for a State is negotiated, the funds are transferred to the State Government implementing that project. The implementation of that project is monitored by the Central Government. The repayment of those debts, of course, is the responsibility of the State Government but the Central Government is fully involved both in borrowing and in monitoring and implementation of the project.

SHRI NARENDRA MOHAN: Madam, I am not satisfied with this answer, but still I would like to...

THE DEPUTY CHAIRMAN: But he was reading the Clauses of the Constitution.....

SHRI NARENDRA MOHAN: But my question was how much wa the percentage of that expenditure which was being paid by the Government of India and which was not being discussed in the Parliament.

SHRI P. CHIDAMBARAM: Madam, as I said everything is discussed in Parliament. The question is, what is the charged expenditure and what is not the charged expenditure.

SHRI NARENDRA MOHAN: Please specify what the charged expenditure is.

SHRI P. CHIDAMBARAM: I am answering. A bulk of the charged expenditure really is simply a national expenditure which is repayment of internal debt for example, where a 90-day bill is rolled over.

Would the hon. Member kindly sit down, Madam, so that I can.....

THE DEPUTY CHAIRMAN: Perhaps he thought that he could reach the answer better if he is at the same level. When he sits down he may not reach the correct answer. lsd

SHRI P. CHIDAMBARAM: As far as charged expenditure is concerned, for example, if you look at Article 112, Sub-Article 3, Clauses (a) to (g) list the charged expenditure—Emoluments to the President, the Chairman and the Deputy Chairman of the Rajya Sabha, the Speaker and the Deputy Speaker of the Lok Sabha—Rs. 5.88 crores. Interest payments under Article 112.3(c)—Rs. 68,000 crores; Judges and their pensionary benefits —Rs. 31.10 crores; The Comptroller and Auditor General of India—Rs. 17.52 crores; Sums required to satisfy courts' decrees—Rs. 44 crores; UPSC Chairman and Members—Rs. 26.74 crores; Grants to States as a result of Finance Commission's Award—Rs. 4,517.81 crores. Payments of States' share of Union Excise Duty which is charged under Article 275, sub-Article (1)—Rs. 24,563 crores, Loans to State Governments under Article 293, sub-Article (2)—Rs. 25,150 crores. The total of this would amount to about a hundred and twenty thousand crores of rupees. Then there is another large amount which is repayment of internal debt and repayment of external debt. Repayment of external debt is Rs. 7,464 crores. Repayment of internal debt is simply a national figure where the treasury bills are rolled over and that, of course, will appear to be a very large amount. But these are treasury bills which are rolled over every 90 days or other dated instruments. This is Rs. 290,764 crores. So, if you net out the repayment of internal debt in respect of items which are specifically charged under Article 112—as I gave you the figures, these are the heads which are charged expenditure—these are within the purview of the Parliament, except by virtue of the Constitution these are not voted upon by the Parliament, these are discussed in the Parliament.

SHRI NARENDRA MOHAN: The way we are taking external debt, Madam, the hon. Finance Minister would agree that we are moving either towards the Brazilian economy or the Mexican economy. The debt-GNP ratio of Brazil is 27.9. The debt-GNP ratio of Mexico is 35.2. In the case of China it is 19.3, while in the case of India it is 34.2. The debt-GNP ratio is a major indicator which has to be considered for knowing the indebtedness of a country. India is considered to be a very heavily indebted country now, Madam. If the hon. Finance Minister wants to have a copy of it, I can give it. As per these reports, I am giving you international comparisons. The top-ten debted countries in 1994 have been given here, may be, there may be little changes here and there but still I would like to know why the debt-GNP ratio of external debt is so high in India? Are we not moving towards Brazil and Mexico? Brazil has 27.9 while in India it is 34.2. Then again, the Indian percentage of the ratio of debt service to the export of goods and services is very, very high. It is 26.3 while in the case of Brazil it is 31.8. If you compare the Indian economy with the Bradilian economy or if you compare the Indion economy with the Mexican economy, then it shows that we are not in a very happy position. Rather we are in a very indebted position. What is the comment of the Minister?

SHRI P. CHIDAMBARAM: Madam, I have placed before this House a stotus report on India's external debt and I assume the hon. Member is reading from that report or a similar document. India is not one of the heavily indebted countries of the world. That does not mean that we should not be concerned about the external debt or we should not try to manage our economy better in order to improve our external situation. But the fact is, in the last six years, the key debt indicators of India have improved remarkably. Let us take, Madam, the two ratios which are often applied and universally accepted. One is, the debt service ratio, that is debt as a pro-

portion to current receipts. In 1991, it was 35.25 pr cent and it has come down to 25.70 per cent in 1995-96. Debt as a proportion of GDP in 1990-91 was 30.44 per cent and in 1995-96 it has come down to 28.71 per cent. In fact, while estimates for 1996-97 are awaited, there are indications that there would be further improvement in the two key debt indicators which are universally accepted. I think our debt service ratio as well as our debt to GDP has come down very sharply. We are still improving and we have improved in 1996-97 but the final figures will be available shortly.

SHRI NARENDRA MOHAN: Are we not equal to Brazil? Are we worse than Brazil?

PROF. NAUNIHAL SINGH: May I ask the hon. Minister of Finance whether there is any proposal before the Government to consider a statute for fixing the borrowing limit under Article 292 of the Constitution of India in view of the fact that the Government have gone in for massive loans from IMF and World Bank etc. on conditions harmful to the self-reliant national economy and increasing craze for soft options to deal with the problems on economic front? If so, what are the details?

SHRI P. CHIDAMBARAM: Madam, the suggestion to cap borrowings has been made from time to time. There is no proposal now to impose a cap.

PROF. RAM KAPSE: In reply (d), the percentage of unutilised external loans on Government account during 1995-96 is shown as 82.10 per cent and during 1996-97, it is 78.40 per cent. The percentage is definitely on a very high side. I would like to know whether the States are facing any problem while getting their own amounts from the Union Government which is creating a problem as far as non-utilisation of debt is concerned.

SHRI P. CHIDAMBARAM: Madam, there are a number of reasons why the utilisation of external aid is low. Most projects are spread over five to seven years. Therefore, at any given point of time the utilisation ratio will be only about 18 to 20 per cent. In fact, our utilisation ratios improved sharply in 1996-97 and I gave out these figures in answer to another question a few days ago. The World Bank aid utilisation percentage has gone up. The Asian Development Bank aid utilisation percentage has gone up. The overall aid utilisation percentage has gone up. These are problems with the States and all these problems are wellknown. Firstly, it is inadequate provision. The State Governments do not provide enough funds in their budget for these projects and if their own funds are inadequate they would be unable to draw funds from the external aid giver because that is directly related to the progress of the project. Suppose a five-year project is not provided for in five years and the provisioning takes it to seven or eight years—there is a time-overturn of a project because of inadequate provision—then the drawal of external aid will not be in five years, it will be in seven to eight years. Therefore, aid utilisation will come down.

The second reason is procurement and contracting delays. Even where funds are provided they are not spent because they have huge delays in deciding upon the contractor, in giving out the contract and in procurement. Unless they tighten up the procedures on this, they would not be able to spend the funds which they had provided for in the budget.

The third reason is the start-up and other procedural delays. Approval is granted at various levels before drawal starts. Detailed designs and estimates have to be given to the donor. If there are delays in giving the detailed estimates and designs, then the starting day of aid will be deferred and as a result debt utilisation gets deferred. So, there are a number of reasons.

We have taken a number of steps in order to quicken the process of aid utilisation. I will merely list the number

of things that we have done. We are now giving Central assistance as 100 per cent additionality. We are giving Advance ACA to States. The procedure has been simplified. ACA is now being released in the beginning of the year.. In 1997-98, for example, the Government has already released Rs. 708 crores as Advance ACA to the States. We are also asking the States to rationalise their portfolios, to give up projects which are simply not taking off or for which funds cannot be provided. We have also standardised the bidding documents and we are asking the States to follow standard bidding documents in order to compress the delay in procurement and contracting. We are also providing more funds in the Plan. For example, last year when we saved — and I am talking from my memory — approximately Rs. 2,500 crores in the Plan, we gave this as additional Central assistance to the States. A number of steps are being taken. We have placed in position for World Bank projects a monitoring mechanism. The monitoring mechanism reports now simultaneously to both the Chief Minister and to me and as a result of that the World Bank aid utilisation has sharply increased to about 18 pe rcent. ADB aid utilisation has always been very high. We have taken a number of steps and 1996-97 has been one of the highest aid utilisation years.

श्री रामजीलाल : महोदया, मैं यह कहना चाहता हूं कि 1994–95 से 1996–97 तक तीन वर्षों में भारत को 5371.32 करोड़ रुपए मिला और खर्च हुआ 1522.32 करोड़ रुपए । मंत्री जी ने यह भी कहा है कि 3849 करोड़ रुपए बकाया है । यह भी कहा है क्योंकि दिए गए अनुदान की एक समयावधि होती है, जो परियोजनाओं के क्रियान्वयन से जुड़ी है और इस प्रकार परियोजना चक्र पर निर्भर रहते हुए इस उपयोग का समय विस्तार अनेक वर्षों तक होता है । यह बात तो ठीक है उपयोग होने में समय लगता होगा मैं पूछना चाहता हूं कि इतनी बड़ी रकम 3849 करोड़ रुपए जो अभी तक बकाया है उसकी क्या वजह है, कौन से फंड में डिस्ट्रीब्यूशन होता है, कौन-कौन से महकमें में जाता है और इतना अमाउंट अब तक क्यों पड़ा हुआ है इसका कारण बताएं ।

SHRI P. CHIDAMBARAM: Madam, as I explained, these projects are aided by external donors and each of these projects has a period of time for implementation. The average period of time of implementation, as we have found, is five to six years. Now, the aid given during the last three years will remain untilised because project implementation has to begin and from the starting date, completion will take at least five years. If you look at the most recent projects for which aid is being tied, up, the unutilised portion will be larger than the utilised portion. But, if you look at aid given, say, seven years ago, the utilised portion will be larger than the unutilised portion. There is nothing unusual about it. As I have said, aid utilisation has improved significantly in 1996-97 and we are taking steps to improve it further. Worldwide aid utilisation percentage is about 20 per cent because a five-year project at 20 per cent aid utilisation will be completed in five years. We must aim at reaching aid utilisation percentage of about 20 per cent. We are moving towards that. It is approximately 18 per cent for the World Bank, and about the same for ADB. It is slightly lower for OECF loans. But, we are doing our best to see that we reach 20 per cent.

SHRI SURINDER KUMAR SINGLA: As different States raise different amounts of external loans, do you have State-wise data of what kind of loans they have raised? Has the Central Government fixed any upper limit for different States to raise loans? I also want to know what the Central Government negotiates, whether it negotiates the terms and conditions alone or the total amount of loan. If some States raise more loans, then probably the State's economy may not be able to permit that. What kind of control do you exercise on them?

SHRI P. CHIDAMBARAM: Madam, I presume, the hon. Member is talking about external loans.

SHRI SURINDER KUMAR SINGLA: Yes.

SHRI P. CHIDAMBARAM: There is no particular cap for any State. It all depends upon the worthiness of the project. If the project is a good project and it is posed to the Government of India for seeking external aid, either from World Bank or from Japan, ODA or from ADB, then after we study the project and we are satisfied that it is a credit-worthy and purpose — worthy project, we pose it to one of the agencies. There is no quota or cap fixed for each State. Now, the donor does a very rigorous examination of the project. In fact the examination of these projects goes on for about one-and-a-half years or two years. They do due diligence. It is only when they are satisfied that the State has the capacity to repay, that they will extend the loan. We also join in the discussion to ensure that the State has a capacity to repay. A State which does not have the capacity to repay, simply cannot get a project approved by any of these external donors who are very, very rigorous in their due diligence. We are fully involved in the negotiations. They cannot negotiate directly. They have to negotiate only through the Government of India and the aid is tied only through the Government of India, and we monitor the implementation. Disbursement again goes through the Government of India.

SHRI SURINDER KUMAR SINGLA: Madam, the fact of the matter is that in this situation only the developed States will have the capacity to repay the loan and weaker States do not get projects sanctioned even if they have the best projects. What is the mechanism with the Central Government to ensure that externally aided projects are sanctioned to the weaker States?

SHRI P. CHIDAMBARAM: That is not quite correct, Madam. It is not only the States which are implementing externally aided projects. The Central Government Ministries are also implementing externally aided projects. So, when a Central Government Ministry, say, for example, the Ministry of Health and Family Welfare is implementing an externasly aided project, or say the Ministry of Education is implementing an externally aided project, the benefitt of that project will go to all the States, and in most cases it goes to the weaker States, it goes to the less developed States. You are right. Then hon. Member is partially right. When a State directly poses an externally aided project, it is likely that the stronger and the more developed State will be able to pose an externally aided project, but when the Central Government Ministries pose externally aided projects, the benefit goes to all the States, including the weaker States. In fact, a State like Orissa which is not considered a developed State, has today an utilised balance of Rs. 2826 crores and for multi-State projects, covering more than one State, which are usually implemented by one of the Ministries of the Government of India, the Unutilised aid as of 1.4.1997 is Rs. 5711 crores.

SHRI J. CHITHARANJAN: Madam, I would like to know from the hon. Finance Minister whether the Government of India intends to take any further measures to improve the utilisation of loans and grants for various projects and also to avoid time and cost-overruns.

SHRI P. CHIDAMBARAM: Madam, I listed the number of steps that we are taking in response to an hon. Member questions. The disbursemnt ratio in 1995-96 was 17.03 per cent. In 1996-97, provisionally, we have found a disbursement ratio of 18.70 per cent. As I said, we must aim at a disbursement ratio of 20 per cent and that, I believe, would be equal to the best disbursement ratio of any other country of the world, about 20 per cent.

SHRI SATISH AGARWAL: Madam, so far as the question of non-utilisation of external aid is concerned, much has

been said by the hon. Members. I only want to say that I am not finding fault with the donors. The fault lies with us, as a matter of fact. Something has been done on that score, as the hon. Finance Minister has identified; certain remedial measures to rectify the mistakes are undertaken. Suppose a donor gives you 5 or 8 external-aid projects and one project does not pick up berause of non-provision by a State. Can you not club all these five projects against one donor so that instead of utilising it on one project, it could be used in another project? Is it not possible to find out a way out? This is question number one. Number two, for our own implementing agencies, for example, the Planning Commission's cost over-runs and time over-runs for projects beyond Rs. 20 crores, which they are monitoring, is round about Rs. 40,000 crores, as has been disclosed to a committee. May I know about the effective steps the Government has in mind to improve the utilisation percentage by clubbing projects as against a particular donor and also with regard to time fixing for checking the cost over-runs and time over-runs?

SHRI P. CHIDAMBARAM: Madam, I the answer to the first part of the question is, 'no.' Donors will not agree to club projects. Donors are not only countries, donors are also multinational agencies like the World Bank and the ADB. They would not club the projects. How can you club, say, a power project in Maharashtra with a rural water supply project in Uttar Pradesh?

SHRI SATISH AGARWAL: I am talking about these in the same State.

SHRI P. CHIDAMBARAM: If it is more than one State, clearly the question does not arise. Even if it is in one State, say, a power project in Maharashtra plus a rural water supply project in Maharashtra, one is in the social sector and the other is in the infrastructure sector where commercial returns would be much higher and the pay back would be on different terms, no donor would agree to club these projects. I am only giving an example. Please do not think that I am saying that the Government of 'X' State is unable to implement the power project for whatever reasons. If it fails to observe conditionalities, that aid would be liable to cancellation. But, if it does well in rural water supply, there is no reason why that thing should suffer as a result of the first one. I do not believe that it can be clubbed at all. In fact, the suggestion, I think, will not fly.

The second think is improving the utilisaiton. The Planning Commission is monitoring, no doubt, the projects when investment is over Rs. 20 crores. But, the Planning Commission monitored projects are not all externally-aided projects. They are mostly projects which are funded from domestic resources, from the Budget and from IEBR. The externally-aided projects are monitored by the Ministry of Finance. As I said, after my talks with the World Bank President we have placed in position a monitoring mechanism. In each State, they have identified a nodal officer who will be responsible for preparing a six-monthly report and he will submit it simpltaneously to the Chief Minister and to me. And then we will review it with the World Bank officials to see the utilisation. As a result of that, in 1996-97 the aid-utilisation percentage has improved for the World Bank as well as overall. Overall aid-utilisation percentage has increased from 17.03 to 18,70, what we call the disbursement ratio. As I said, I am aiming at 20 per cent. I think if we touch 20 per cent, we will be comparable to any other country in the world.

..."282. *The questioner Shrimati Jayanti Patnaik) was absent. For Answer, vide Col* .....

283. *The questioner (Shri Chimanbhai Haribhai Shukla) was absent For Answers, vide Col... infra*

*284. *The questioners (Shri Vishnu Kant Shatri and Shri Bangaru Laxman) were absent For Answers, vide Col... infra*

DR. SHRIKANT RAMCHANDRA JICHKAR: Madam, can you club Question No. 285 and Question No. 287? ...(*Interruptions*)... They are on the same topic.

THE DEPUTY CHAIRMAN: Both these questions are on Meghat.

...(*Interruptions*)...

DR. SHRIKANT RAMCHANDRA JICHKAR: Both these questions relate to the same Ministry...(*Interruptions*)

THE DEPUTY CHAIRMAN: I think we will come to that question....(*Interruptions*)... But, the hon. Member in whose name Question No. 285 stands, is absent....(*Interruptions*)... The questioner of 285 is absent (*Interruptions*)... Shrimati Basanti Sharma and Shri V. Rajeshwar Rao are not there...(*Interruptions*)...We will come to that. Let us finish Question No 286 first....(*Interruptions*)...

*285. *The questioners Shrimati Basanti Sharma and Shri V. Rajeshwar Rao) were absent. For answer vide col. infra.*

Collection under VDIS

*286. SHRI MUKESH R. PATEL:
SHRI SANJAY NIRUPUM:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the Voluntary Disclosure of Income Scheme (VDIS) of Government has not picked up as it was estimated;

(b) if so, the reasons therefor; and

(c) if not, the details of the amount so far collected in this scheme?

Statement

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) to (c) A Statement is laid on the Table of the House. (a) to (c) It is premature to make any assessment about the success of the scheme. The Voluntary Disclosure of Income Scheme-1997, came into operation from 1.7.97 and will last till 31.12.97. This scheme has been launched to harness black money for productive purposes. The response to the scheme will depend, to a large extent, upon the confidence of the declarants on maintainence of confidentiality of the disclosures. Keeping this in view, the scheme provides that declarations shall be filled only to Commissioners of Income Tax. For the same reason details are not being obtained centrally from the Commissioners regarding the number of declarants or the amounts disclosed, etc.

It has been decided to take stock only towards the end of the period of operation of the scheme.

† The question was actually asked on

श्री संजय निरूपम : मैडम, मैंने वालेंटरी डिस्कलोजर इन्कम स्कीम के बारे में सवाल इसलिए रखा है क्योंकि 28 फरवरी, 1997 को जब माननीय वित्त मंत्री, श्री चिदम्बरम साहब ने अपना बजट पेश किया था और यह स्कीम अनाउन्स की थी, तभी इसकी बहुत आलोचना हुई थी इसको बहुत क्रिटिसाइज किया गया था, और ऐसा कहा गया था कि यह स्कीम सक्सैसफुल नहीं हो पाएगी । ऐसा एक-दो अखबारों में छपकर आया है कि यह स्कीम सक्सैसफुल नहीं हो रही है । बहुत अच्छे ढंग से जो ब्लैक मनी को रिकवर करने वाली बात है, तो यह उन लोगों को एट्रेक्ट नहीं कर पा रही है । तो मेरा सवाल था कि यह स्कीम फ्लाप हो गई है या सक्सैसफुल है? चिदम्बरम साहब ने जवाब यह दिया है कि,

"It is prematur to make any assessment of the sucess of this scheme.

मैडम, इस स्कीम को लांच हुए 42 दिन हो गए हैं । 42 दिनों में क्या चिदम्बरम साहब ने इस स्कीम को रिव्यू करने के लिए कोई भी मीटिंग बुलाई है फोर्टनाइटली या मंथली ? अगर वे नाम डिस्कलोज नहीं कर सकते तो इतना तो बता सकते हैं कि इन 42 दिनों में आल ओवर इंडिया में, सारे हिन्दुस्तान में कितने आवेदन आए हैं डिफरेंट कमीशनस के पास ?